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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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June 20, 2003

**TO: ALL COUNTY AUDITORS AND TREASURERS**

**FROM: DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

**RE: HOMESTEAD CREDIT CORRECTION**

The Indiana Department of Local Government Finance has resolved a problem with the way homestead credits were calculated in eight Indiana counties – a move that will result in lower property taxes for homeowners across the state.

This means that the counties that have completed reassessment and are billing must adjust. The Department sincerely regrets the problem, but thanks county officials for bringing concerns to our attention. We have consulted with the eight counties that have already completed the reassessment. As a result, the Department has decided to apply a mathematical factor that eliminates the need for counties to reprogram. **All counties will continue to apply the homestead credit that the Department certifies to the net tax due after deduction of the property tax replacement credit.** The Department will use the new factor when tax rates are calculated for the rest of the 84 counties. There should be no software or reprogramming changes at the county level.

Marion and Wabash counties, which were in the midst of issuing their bills when the problem was discovered, will issue corrected bills with the new rates. Marion County has extended the first installment due date from July 10 to July 18.

The preferred solution is for the six other counties that had already issued bills (Hamilton, Howard, Jennings, Monroe, Vanderburgh, and Wells) to re-issue corrected bills for the November 2003 installment. The state has offered to pay for printing and postage. The Department is also conferring with software providers on issues pertaining to corrected bills. Commissioner Beth Henkel has also offered to consult with individual counties to address any unique issues that are raised.

**For review, here is the homestead credit calculation:**

The Department will calculate the homestead credit as follows: First, the Department will determine the gross tax levy charged for each fund by all political subdivisions in a taxing district. Then, the Department will subtract levies exempt from property tax replacement credit

and homestead credit. The levy adjustments include debt service levies, cumulative funds, capital project funds, and other adjustments specified in IC 6-1.1-21-5.

Next, the Department will allocate each fund levy between real estate and other personal property and business personal property. The Department will multiply the school General fund's adjusted net levy by 60% and the remaining 40% of the school general fund by 20%. The Department will multiply all other fund's adjusted net levy by 20% to determine the amount of state-paid PTRC. The Department then subtracts the state-paid PTRC from the adjusted net levy to arrive at a second adjusted net levy.

The Department will then determine the portion of the second adjusted net levy that is eligible for homestead and multiply that net levy by the homestead credit percentage (20%) to determine the amount of homestead credits paid by the State. The homestead credit amounts are divided in the gross levy to determine the homestead credit rate for each taxing district.

If you have questions about the application of homestead credit, please call the Budget Division, 317-232-3773.